

Message Text

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71

ORIGIN OES-05

INFO OCT-01 EUR-12 ISO-00 ERDA-07 L-03 NRC-07 FEA-01

ACDA-10 CIAE-00 INR-07 IO-11 NSAE-00 NSC-05 EB-07

DODE-00 /076 R

DRAFTED BY OES/NET/IM:DHOYLE
APPROVED BY OES/NET/IM:DHOYLE
ERDA - J.GARRETT (INFO)
ERDA - J.BRUSH (INFO)
L/OES - R.BETTAUER (INFO)
OES - M.KRATZER (INFO)
NRC - J.LAFLEUR (INFO)

----- 111558

P 031849Z MAR 76

FM SECSTATE WASHDC

TO MULTIPLE ADDRESSEES

INFO AMEMBASSY OTTAWA PRIORITY

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OTTAWA FOR HUDSON

E.O. 11652: NA

TAGS: TECH, CA

SUBJECT:

1. THIS IS IN RESPONSE TO YOUR WESTERN UNION MAILGRAM OF FEBRUARY 19, CONCERNING PORTLAND GENERAL ELECTRIC'S PLANNED IMPORT OF CANADIAN NATURAL URANIUM. THIS INFORMATION HAS BEEN PROVIDED PREVIOUSLY THROUGH PERSONAL CONTACTS AND TELEPHONE CONVERSATIONS WITH MR. TOM OWENS OF PGE, BUT I AM TAKING THIS OPPORTUNITY TO CONFIRM IT FOR THE RECORD.

2. THE ERDA IS UNABLE TO PROVIDE THE REPLACEMENT ASSURANCES REQUESTED BY PGE. IT HAS INDICATED THAT TO DO SO
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WOULD INVOLVE GOVERNMENT-OWNED NATURAL URANIUM WHICH

ALREADY IS OTHERWISE COMMITTED. FURTHER, PROVIDING SUCH ASSURANCES WOULD OPEN THE WAY FOR OTHER PRIVATE UTILITIES TO REQUEST SIMILAR TREATMENT. SINCE THE TRANSACTION BETWEEN PGE AND RIO ALGOM IS CONSIDERED A NORMAL BUSINESS ARRANGEMENT IN ERDA'S VIEW, THERE IS NO REASON THAT THE EQUIVALENT OF A GOVERNMENT GUARANTEE TO ASSUME CERTAIN POTENTIAL RISKS SHOULD BE INVOLVED.

3. WE HAVE EXPLORED WITH THE CANADIAN GOVERNMENT ALTERNATIVES WHICH MIGHT PROVIDE PGE AT THIS TIME WITH

ACCEPTABLE OPTIONS IN THE UNLIKELY EVENT THAT A MUTUALLY SATISFACTORY SAFEGUARDS PROCEDURE WERE NOT IN EFFECT BETWEEN THE USG AND THE GOVERNMENT OF CANADA BY 1977. IN THIS REGARD, THE GOVERNMENT OF CANADA IS PREPARED TO PROVIDE AN INTERPRETIVE LETTER AT THE TIME OF THE EXCHANGE OF NOTES COVERING THE INTERIM PROCEDURE TO THE EFFECT THAT THE ATOMIC ENERGY CONTROL BOARD OF CANADA WOULD BE PREPARED TO AUTHORIZE THE TRANSFER OF CANADIAN NATURAL URANIUM FROM ERDA FACILITIES TO OTHER NATIONS WITH WHOM CANADA, AT THAT TIME, HAD AN AGREEMENT PROVIDING FOR EFFECTIVE SAFEGUARDS. SUCH A LETTER SHOULD OPEN THE POSSIBILITY OF SALES OR EXCHANGES WITH UTILITIES ABROAD WHICH COULD PROVIDE PGE WITH URANIUM NOT SUBJECT TO THE EXCHANGE OF NOTES. IT IS OUR UNDERSTANDING THAT PGE ALREADY IS EXPLORING SUCH POSSIBILITIES. FURTHERMORE, CANADIAN OFFICIALS CONTINUE TO STRESS THAT SHOULD A LONG-TERM PROCEDURE NOT BE BROUGHT INTO EFFECT -- A POSSIBILITY WHICH THEY ALSO REGARD AS HIGHLY IMPROBABLE -- THEY WOULD BE PREPARED TO BE EXTREMELY FLEXIBLE IN WORKING OUT PROCEDURES TO PERMIT THE UTILIZATION OF NATURAL URANIUM IMPORTED UNDER THE INTERIM PROCEDURE AND STORED AT ERDA FACILITIES.

4. I BELIEVE YOU ARE AWARE THAT THE OTHER U.S. UTILITY, WPPSS, WHICH WOULD BE IMMEDIATELY AFFECTED BY THE EXCHANGE OF NOTES HAS SOMEWHAT DIFFERENT PROVISIONS IN ITS CONTRACT WITH RIO ALGOM WITH REGARD TO TERMINATION THAN DOES PGE. THERE IS INCREASING EVIDENCE THAT UNLESS THE EXCHANGE OF NOTES IS EFFECTED WITHIN THE NEXT WEEK

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TO TEN DAYS, RIO ALGOM WILL TERMINATE ITS CONTRACT WITH WPPSS, THEREBY DEPRIVING THE LATTER OF AN IMPORTANT SOURCE OF REACTOR FUEL. WE MUST TAKE THIS FACT INTO CONSIDERATION IN OUR FINAL DECISION WHETHER TO BRING THE INTERIM PROCEDURE INTO EFFECT. WITH THIS IN MIND, WE ALSO HAVE EXPLORED WITH THE CANADIAN GOVERNMENT THE EFFECT ON THE EXPORT PERMIT APPLICATION OF ERDA'S FAILURE UNDER THE EXCHANGE OF NOTES TO INFORM THE CONTROL

BOARD THAT APPROPRIATE ARRANGEMENTS HAD BEEN MADE WITH
PGE FOR STORAGE OF ITS NATURAL URANIUM AT AN ERDA
FACILITY. THE CANADIAN DEPARTMENT OF EXTERNAL AFFAIRS
HAS ADVISED THAT, IN THE ABSENCE OF SUCH INFORMATION FROM
ERDA THE EXPORT PERMIT WOULD NOT REPEAT NOT BE ISSUED.

5. WE HOPE THAT THE FOREGOING INFORMATION WILL ENABLE PGE
TO SUPPORT THE PROPOSED EXCHANGE OF NOTES. IN LIGHT OF
THE URGENCY, WE WOULD APPRECIATE A RESPONSE AT PGE'S
EARLIEST CONVENIENCE. PLEASE INCLUDE IN RETURN ADDRESS:
OES, ROOM 7824A. KISSINGER

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NNN

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